

## **DRAFT**

### **PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

Item 34 ID#4256

**RESOLUTION E-3909**

**FEBRUARY 24, 2005**

### **R E S O L U T I O N**

Resolution E-3909. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas and Electric Company (SDG&E) filed advice letters in compliance with Ordering Paragraph (OP) 14 of Resolution E-3831 to propose methods to equitably allocate responsibility for the unrecovered Bond Charges Attributable to Customer Generation (CG) effective as of April 3, 2003. Approved with modifications.

By PG&E Advice Letter (AL) 2542-E, SCE AL 1821-E, and SDG&E AL 1610-E Filed on August 9, 2004.

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### **SUMMARY**

**The Utilities shall recover past Bond Charges, at the CG customer's option, either in a lump sum or in payments amortized over 2 years.**

This Resolution directs PG&E, SCE, and SDG&E (Utilities) to offer CG customers two options for paying past unrecovered Bond Charges incurred as of April 3, 2003. Customers shall elect to pay their individual past bond charges either in a single lump sum or in payments amortized over two years. The Utilities shall contact their CG customers to determine their payment preferences and begin billing applicable customers accordingly on the first billing cycle beginning 60 days after this Resolution becomes effective. The Utilities shall allow customers 60 days following initial billing to pay past Bond Charges in a single lump sum.

### **BACKGROUND**

**CG customers are responsible for a Bond Charge undercollection incurred from April 3, 2003 until the Utilities began billing Bond Charges on CG load.**

On July 8, 2004, the Commission issued Resolution E-3831 to implement the Cost Responsibility Surcharge (CRS) for Customer Generation (CG) pursuant to Decision (D.) 03-04-030, as modified by D.03-04-041. The Department of Water Resources

(DWR) Bond Charge, a component charge of the CG CRS, is a uniform cents-per-kWh charge applicable to non-exempt bundled service, direct access (DA), and CG customers. Resolution E-3831 clarified that cost responsibility for the DWR Bond Charge applies to CG sales as of April 3, 2003, the date D.03-04-030 was issued (Resolution E-3831, OP 8). CG customers are responsible for the DWR Bond Charge undercollection, which accrued between April 3, 2003 and the date the Utilities began billing CG customers for these charges.<sup>1</sup> The DWR Bond Charge billed to non-exempt CG for the applicable periods during 2003 and 2004 will be equal to the DWR Bond Charge applied to non-exempt bundled service and DA customers during the same applicable periods during 2003 and 2004. Resolution E-3831 directed PG&E, SCE, and SDG&E to file advice letters to make amortization proposals to equitably allocate responsibility for these unrecovered DWR Bond Charges.

**The Utilities filed Advice Letters to make amortization proposals to recover past Bond Charges from CG customers.**

In AL 2542-E, because the DWR Bond Charge undercollection is substantial for certain customers, PG&E proposes to amortize each affected customer's undercollection over a 12 month period, through a DWR Bond Charge undercollection amortization charge equal to 1/12 of the total customer-specific undercollection amount. In AL 1821-E, SCE proposes to allow the customer to elect to pay its past DWR Bond Charge obligation either in payments amortized over a two-year period or in a single lump sum amount. In AL 1610-E, SDG&E states that it will provide customers with the option of establishing payment arrangements as reasonable.

PG&E and SDG&E propose to begin billing applicable customers for their past DWR Bond Charges in an amortization charge on the first billing cycle following 60 days after this Advice Letter becomes effective. SCE does not make a specific proposal in this regard. PG&E and SDG&E believe this timing should give customers sufficient notice of the upcoming charges.

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1. SCE and SDG&E began issuing bills to applicable CG customers for DWR Bond Charges on July 19, 2004; and PG&E began on September 1, 2004.

**NOTICE****Advice Letters were properly noticed and distributed.**

Notice of PG&E AL 2542-E, SCE AL 1821-E, and SDG&E AL 1610-E was made by publication in the Commission's Daily Calendar. PG&E, SCE, and SDG&E state that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A to parties on the attached list, as well as to the service list in Rulemaking (R.) 02-01-011.

**PROTESTS****EPUC et al. protested PG&E's and SDG&E's advice letters, arguing that CG customers should have a 2-year payment option for past Bond Charges.**

On August 30, 2004, Energy Producers and Users Coalition,<sup>2</sup> Kimberly Clark Corporation, and Goodrich Aerostructures Group (EPUC et al.) protested PG&E's AL 2542-E and SDG&E's AL 1610-E. EPUC et al. objects to PG&E's proposed automatic 12-month amortization period and to SDG&E's proposed offering of payment arrangements "as reasonable." In both cases, EPUC et al. protests that the utilities should offer customers an optional 2-year amortization period, as proposed by SCE in AL 1821-E. No party protested SCE's AL.

SDG&E responded to the protest of EPUC et al. on September 7, 2004. PG&E did not respond to the protest of EPUC et al. SDG&E in its response disagrees with the request of EPUC et al., because the "Resolution does not specify a specific amortization period for repayment, but rather leaves it up to each utility to submit its specific plan. SDG&E's proposal to provide customers with the option of establishing payment arrangements that are reasonable comports with the Commission directive and is fair."

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2. EPUC is an ad hoc group representing the electric end use and customer generation interests of the following companies: Aera Energy LLC, BP America Inc. (including Atlantic Richfield Company), Chevron U.S.A. Inc., ConocoPhillips Company, ExxonMobil Power & Gas Services, Inc., Shell Oil Products US, THUMS Long Beach Company, Occidental Elk Hills, Inc., and Valero Refining Company - California.

**DISCUSSION**

Resolution E-3831 directs the Utilities to make equitable amortization proposals to recover the DWR Bond Charge undercollection applicable to non-exempt CG departing load beginning April 3, 2003 (Resolution OP 14 and at p. 4). While each of the Utilities has complied with the explicit directive in Resolution E-3831, we believe a uniform method for all three Utilities is preferable to approving each utility's unique proposal. Therefore, we adopt SCE's proposal to allow the customer to select between the lump sum and the 2-year amortization payment alternatives. The methods we adopt are preferable, due to (1) the time involved (CG Bond Charges effective as of April 3, 2003 but not billed until the latter half of 2004), and (2) customer acceptance of these methods, as demonstrated by the protests.

**The Utilities shall recover past CG Bond Charges on a customer specific basis.**

The Utilities' proposal to allocate the undercollection on a customer-specific basis is equitable, given the varying periods of bond charge applicability to different customers. As SDG&E explains in its AL, "some accounts were established sometime before April 3, 2003, while others started on or after April 3, 2003. Additionally, several accounts had departing load during some months but not during all of the months." The customer specific feature of the Utilities' proposals was not protested and is adopted.

**The Utilities shall allow CG customers to elect to pay past Bond Charges either in payments amortized over 2 years or in a single lump sum.**

In its protests to PG&E's and SDG&E's ALs, EPUC et al. recommend that the Utilities offer customers an optional 2-year amortization period, as proposed by SCE. EPUC et al. argue that this modification will increase uniformity among the utility tariffs and comply with Resolution E-3831.

The amount of the unrecovered CG Bond Charges is substantial on an average per customer basis. PG&E and SDG&E in their ALs quantified the amount of past unrecovered Bond Charges and numbers of responsible customers shown in the table below. SCE provided the Energy Division with the information for its territory on January 13, 2005.

**Unrecovered CG Bond Charges<sup>3</sup> and Numbers of Customers**

<u>Utility</u>	<u>Bond Charge Undercollection</u>	<u>No. Customers</u>	<u>Avg. \$/Cust.</u>
PG&E	\$3.7 million	22	\$168, 182
SCE	\$4.045 million	102	\$ 39,657
SDG&E	\$0.306 million	14	\$ 21,857

We adopt uniform Bond Charge recovery methods for past CG Bond Charges in all three Utility territories. CG customers may, at their option, pay their past Bond Charge obligations either in a single lump sum due 60 days from the date billed or in payments amortized over 2 years. The Utilities shall, as stated in their ALs, remit the DWR Bond Charge undercollection collected from CG customers to DWR, which will serve to reduce future DWR Bond Charge revenue requirements. The Utilities did not propose that additional interest be included in the amortization. The complexity of such individual customer computations makes them impractical for the benefit involved. Therefore no additional interest shall apply to payment of past unrecovered CG Bond Charges.

**COMMENTS**

Public Utilities Code section 311(g)(1) provides that a draft resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, the draft resolution was issued for comment to all parties no later than 30 days prior to being considered by the Commission. SDG&E provided comments on Draft Resolution E-3909 on February 9, 2005, and PG&E in its comments provided on February 11, supported SDG&E's comments with one refinement. SCE provided comments on February 11, which expressed full support for Draft Resolution E-3909, which adopts SCE's proposed payment options for CG customers. No party provided reply comments.

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3. The CG bond charge undercollection is calculated using the Bond Charge remittance rates adopted in the DWR Revenue Requirement proceeding, A.00-11-038, for the applicable periods during 2003 and 2004 as applied to non-exempt bundled service and DA customers during the same applicable periods.

**The Utilities shall contact CG customers in advance to determine their payment method preferences and bill accordingly.**

SDG&E in its comments states that due to system constraints, it cannot show on its bills both the lump-sum payment amount and the monthly amount that would be owed if amortized over two years. PG&E also states in its comments that its billing system has similar constraints in that it cannot show two alternative amounts on the same bill within the time frame set forth in the Draft Resolution. Thus SDG&E recommends changes to Ordering Paragraphs (Ops) 2 and 3 to provide that the Utilities should contact each CG customer to determine its payment method preference and then bill accordingly. PG&E concurs with the changes proposed by SDG&E. In addition, PG&E recommends that the 2-year amortized payment method serve as the default alternative for those customers that do not specify a payment method preference. The approach recommended by SDG&E and PG&E is reasonable, and Ops 2 and 3 are modified accordingly.

**FINDINGS**

1. Resolution E-3831 directed PG&E, SCE, and SDG&E to file advice letters to make amortization proposals to equitably allocate responsibility for the unrecovered DWR Bond Charges, which accrued from CG customers between April 3, 2003 and the date the Utilities begin billing the Bond Charge on CG load.
2. On August 9, 2004, PG&E filed Advice Letter (AL) 2542-E; SCE filed AL 1821-E; and SDG&E filed AL 1610-E. EPUC et al. protested PG&E's and SDG&E's ALs. No party protested SCE's AL. SDG&E responded to the protest of EPUC et al.; PG&E did not respond.
3. While each of the Utilities has complied with the explicit directive in Resolution E-3831, a uniform method for recovery of past CG Bond Charges applicable in all three utility service territories is preferable to approving each utility's unique proposal.
4. The Utilities' proposal to allocate unrecovered Bond Charges on a customer-specific basis is equitable, given the varying periods of Bond Charge applicability to different customers.
5. An optional 2-year amortization period is reasonable for CG customers to pay their unrecovered Bond Charge obligations, given the substantial amounts due.

**THEREFORE IT IS ORDERED THAT:**

1. The past CG Bond Charge amortization proposals of PG&E in AL 2542-E, SCE in AL 1821-E, and SDG&E in AL 1610-E are approved as modified herein.
2. The Utilities shall provide CG customers with the option to pay past Bond Charges individually incurred by them either in a single lump sum or in payments amortized over two years. The Utilities shall contact the applicable customers prior to billing the past Bond Charges to determine which payment method they prefer.
3. The Utilities shall begin billing applicable CG customers for their past DWR Bond Charge obligations on the first billing cycle beginning 60 days after this Resolution becomes effective, based on the payment option elected by the CG customer. For those customers that do not elect an option, the Utilities shall bill past Bond Charges using the amortized payment option. No additional interest shall be included in either the lump sum or the amortization payment alternatives.
4. The Utilities shall allow customers 60 days from the billing date to pay past Bond Charge obligations in a single lump sum.
5. The protests of EPUC et al. to PG&E's AL 2542-E and SDG&E's AL 1610-E are granted as adopted herein to provide CG customers with a 2-year payment option for past Bond Charges.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on February 24, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director